

Message Text

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44

ACTION NEA-10

INFO OCT-01 ISO-00 SAB-01 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

DODE-00 PM-03 H-01 INR-05 L-02 NSAE-00 PA-01 PRS-01

USIA-06 FEA-01 INT-05 VO-03 SCA-01 COME-00 FRB-01

XMB-02 OPIC-03 LAB-04 SIL-01 /091 W

----- 128389

R 090851Z DEC 74

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC 4845

INFO AMEMBASSY AMMAN

AMEMBASSY BEIRUT

AMEMBSSY CAIRO

AMEMBASSY DAMASCUS

AMCONSUL JERSUALEM

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E.O. 11652: N/A

TAGS: EFIN, IS

SUBJECT: ISREL'S EMERGENCY ECONOMIC PROGRAM:

REF: TEL AVIV 6536 AND PREVIOUS(NOTAL)

1. NO DATE YET AVAILABLE ON EFFECTS OF GOI'S NOV. 10 EMERGENCY ECONOMIC PROGRA(REFTEL). THERE ARE SOME INDICATIONS REDUCED PRIVATE CONSUMPTION, BUT THEY ARE IN PART DUE TO PRE-DEVALUATION BUYING SPREE OF ISRAELI CONSUMERS. HAMASHBIR DEPT STORE REPORTS DECLINE RETAIL SALES SINCE NOV 10 BUT ATTRIBUTES PART OF DECLINE TO CONSUMER ANTICIPATION EMERGENCY PROGRAM AND PART TO INCLEMENT WETHER. THERE HAS BEEN ONLY SMALL APARENT DECLINE IN TRAFFIC ON STREETS. ONE OIL COMPANY EXECUTIVE REPORTS DELCINE GASOLINE SALES OF 20-25 PERCENT IN FIRST TWO WEEKS AFTER PRICE INCREASE OF 60-65 PERCENT BUT EXPLAINS THIS PROBABLY DUE TO PRE-PRICE INCREASE HOARDING. PRESENT SALES UNDOUBTEDLY DOWN, BUT PERCENTAGE LIMITED OFFICIAL USE

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UNKNOWN. HOWEVER, SINCE LARGE PERCENTAGE ISRELIS RECIEVE ALLOW-

ANCES FOR AUTOMOBILE USE AND SINCE THESE ALLOWANCE FOR CIVIL SERVANTS RECENTLY INCREASED 42 PER CENT, REAL COST OF AUTOMOBILE OPERATION HAS NOT SIGNIFICANTLY INCREASED FOR MANY ISRAELIS.

2. THERE HAS BEEN NO SIGNIFICANT DECREASE IN APPLICATIONS FOR VISAS IN THE CONSULAR SECTION, MOREOVER, TWA REPORTS UNCHANGED SALES RATE AND SPECULATES THAT ISRAELIS GOING ON TRIPS ALREADY PLANNED, BUT EFFECTS OF DEVALUATION AND INCREASED TRAVEL TAX WILL BE FELT IN JANUARY AS PEOPLE BEGIN NOT TO PLAN TRAVEL AS RESULT INCREASED COST.

3. EMERGENCY PROGRAM INCREASE EFFECTIVE EXCHANGE RATE ISRAELI POUND FOR EXPORTS BY ABOUT 20 PERCENT. SINCE MANY ISRAELI EXPORTS CONTAIN HIGH PERCENTAGE IMPORTED COMPONENTS, NET EFFECT DEVALUATION ON EXPORT PRICES MAY NOT BE AS GREAT AS HOPED. MOREOVER, INCREASED COST OF INPUTS, ESPECIALLY FUEL, NEUTRALIZE EVEN THIS INCREASE. PRIOR NOVEMBER 10, FOR EXAMPLE, ISRAEL EXPORTED FOOD PRODUCTS CONTAINING SUGAR WHICH WAS SUBSIDIZED TO ONE-THIRD OF THE WORLD PRICE. ANOTHER CONTRIBUTING FACTOR, EXPORTS CLAIM IS THE SCARCITY OF CREDIT AND THE DECREASED AVAILABILITY OF SUBSIDIZED EXPORT CREDIT. A MINISTRY OF COMMERCE AND INDUSTRY SPOKESMAN QUOTED IN PRESS AS SAYING THAT FOUR KINDS OF ISRAELI EXPORT, E.G., TEXTILES, FOOD, DIAMONDS, AND PLYWOOD WERE IN TROUBLE, BUT CASE WAS RECESSION IN FOREIGN MARKETS. HOWEVER, THE REASON, FACT IS ISRAELI EXPORTS ARE NOT BOOMING, DESPITE THE RECENT 43 PERCENT DEVALUATION.

4. EMERGENCY PROGRAM INCREASED TAXES ON, AND BANNED IMPORTS OF, CERTAIN LUXURY GOODS FOR SIX MONTHS, BUT DEGREE OF SUCCESS IS UNCLEAR UNTIL ADMINISTRATIVE DECISIONS ON AUTOMOBILE IMPORTS FOR NEW IMMIGRANTS, FOR EXAMPLE, ARE FINAL. MOREOVER, OVERALL IMPACT OF PROGRAM DEPENDS SIGNIFICANTLY UPON OUTCOME OF ON-GOING NEGOTIATION BETWEEN GOV, HISTORICALLY AND EMPLOYERS ON COST-OF-LIVING ADJUSTMENT AND NEW COLLECTIVE BARGAINING AGREEMENTS. THUS, WHILE ADMITTEDLY IT IS TOO EARLY TO MAKE A JUDGEMENT ON EFFECTIVENESS OF EMERGENCY PROGRAM, THERE IS ALREADY ROOM FOR DOUBT THAT IT WILL CAUSE DEGREE OF AUSTERITY PREDICTED BY GOVERNMENT SPOKESMEN. CONCERN LIMITED OFFICIAL USE

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ABOUT POSSIBLE UNEMPLOYMENT WORKS AGAINST THOSE IN GOVERNMENT FAVORING DRACONIAN MEASURES.
DOZIER

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